



California State Board of Equalization

# State Assessee Newsletter

## Information on Property Tax Reporting in 2003

This is the seventh annual *State Assessee Newsletter* published by the Valuation Division of the California State Board of Equalization's Property and Special Taxes Department. This newsletter contains important information about the 2003 valuation process.

The State Board of Equalization (Board) is responsible for assessing property owned or used by all privately owned public utilities operating in California, enabling counties to use those values to collect local property taxes. Property values on the state-assessed roll are allocated by the Board to the counties where the properties are located. Each county collects taxes based upon the allocated values. The taxes are levied at the same rate that is applied to locally assessed property.

The Board's Valuation Division is responsible for annually transmitting value recommendations to the Board. To that end, staff prepares unitary value indicators and fair market value recommendations for each state assessee. These indicators and recommendations, which are developed annually from information provided by state assessesseees, are used by the elected Board to determine the fair market value of the assessesseees' unitary property.

We look forward to working with each of you this upcoming valuation season. If you have any questions, please contact us at 916-322-2323.

Harold M. Hale, Jr., Chief  
Valuation Division

### INSIDE

What's New	page 2
Electronic Filing	page 2
Reminders	page 3
Extensions	page 4
Penalties	page 4
Available on the Internet	page 4
Internet Site Directions	page 4
Direct Connection	page 5

### KEY DATES TO REMEMBER IN 2003

<b>January 1</b>	Lien date for all state-assessed property
<b>January 2</b>	Property statement forms mailed to state assessesseees
<b>January 9</b>	Last day to request placement on the February 5 agenda to make a presentation on factors affecting 2003-04 values of state-assessed property
<b>February 5</b>	Board will hear state assessesseees' presentations on capitalization rates and other factors affecting the 2003-04 value of their state-assessed property
<b>March 3</b>	Last day to file Property Statements without penalty. Since March 1 <sup>st</sup> falls on a Saturday, this filing period is extended by law to March 3, 2003, the next regular business day
<b>March 25</b>	Last day to request placement on the Board's April 23 agenda to make a presentation on factors affecting 2003-04 values of state-assessed property
<b>April 23</b>	Board will hear state assessesseees' presentations on the 2003-04 values of state-assessed property
<b>May 15-23</b>	Staff discusses value indicators and supporting data with state assessesseees
<b>May 28</b>	Board sets unitary values for all state assessesseees
<b>On or before June 1</b>	Staff mails notices of unitary value to state assessesseees
<b>On or before June 15</b>	Staff mails notice of allocated assessed values and proposed assessed values of nonunitary property to state assessesseees
<b>On or before July 15</b>	Staff transmits estimates of total assessed value (Preliminary Board Roll) to County Auditors
<b>July 21</b>	Last day to file a petition for unitary value reassessment and/or a petition for correction of allocated assessment
<b>On or before July 31</b>	The Board adopts and staff transmits Board Roll of State-Assessed Property to County Auditors. Staff mails notices of nonunitary value to state assessesseees
<b>September 22</b>	Last day to file a petition for nonunitary property reassessment
<b>December 31</b>	Final day for Board decisions on 2003 petitions for unitary and nonunitary property reassessment

## What's New

### New State Assessee Industry Group

Article XIII, section 19 of the California Constitution mandates that the Board annually assess property owned or used by companies transmitting or selling gas or electricity. Assembly Bill 81 (Chapter 57, Statutes of 2002) was approved by the Governor on June 20, 2002. Property Tax Rule 905, Assessment of Electric Generation Facilities, in its current form, was approved by the Office of Administrative Law on May 14, 2002 and became effective June 13, 2002.

Pursuant to AB 81 and amended Property Tax Rule 905, commencing on lien date, January 1, 2003, state-assessed electric generation facilities include (1) facilities that have a generating capacity of 50 megawatts or more, and (2) are owned or used by a company which is an electrical corporation as defined in section 218 of the Public Utilities Code. Qualifying facilities and cogeneration facilities are excluded from the provisions of AB 81 and Property Tax Rule 905 and will continue to be locally assessed.

Accordingly, the Board will assume assessment jurisdiction of electric generation facilities that meet the criteria set forth in AB 81 and Property Tax Rule 905, beginning with the 2003 lien date.

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### Land Identification Map Specifications

Land Identification Maps (maps) shall accompany each statement of land changes, when an acquisition or reparing occurs. Map specifications are given in *the Instructions for Reporting State-Assessed Property* for each industry. However, these specification requirements are being relaxed. Beginning with the 2003 lien date, maps of any dimension may be filed, provided they give sufficient markings and data to locate the subject property.

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### Special Studies

All replacement cost studies, obsolescence requests, and other voluntary information that assesses believe affects the value of their property must be filed with the property statement or by a date granted by a formal extension. If such information is not filed by that date, staff is not required to consider it in determining unitary value recommendations.

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### Tangible Property List (TPL)

The TPL form BOE-533 will not be included in the property statement reporting packet and should not be used to file a TPL. TPL data may be filed on form BOE-533-H or electronically using the Board template. See instructions in the following section.

## Electronic Filing

### Property Statement Forms on the Internet

All Valuation Division property statement forms and instructions are available on the Internet. Property Statement forms may be completed online and printed for mailing to the Board.

Access the Board of Equalization Internet site at [www.boe.ca.gov](http://www.boe.ca.gov). See page 4 for specific directions to the Internet site.

Electronic filing of the property statement over the Internet is *not yet* available. Portions of the property statement that may be filed electronically are detailed below.

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### Dollar-Age Detail Report – Pipeline Companies

Pipeline companies are required to file Dollar-Age Detail Reports. These reports may be filed electronically using a prescribed format and acceptable software. In order to receive a copy of the electronic file format, software specifications or other information, contact Mr. Steve Hieb at (916) 324-2745.

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### Schedule B-1 - Gas and Electric Companies

Gas and Electric companies are required to file Schedule B-1. The B-1 may be filed electronically. In order to receive a copy of the electronic file format, software specifications or other information, contact Mr. Sang Le at (916) 324-2753.

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### Tangible Property List (TPL) Data

A 3.5-inch diskette may be used to file an electronic TPL. In order to facilitate an acceptable electronic filing, please request the required electronic TPL template. To obtain the template and instructions, contact Ms. Adrienne Allen by telephone at (916) 324-2794 or by email at [Adrienne.Allen@boe.ca.gov](mailto:Adrienne.Allen@boe.ca.gov).

## Reminders

### Claimed Obsolescence

Assessee should report separately, and in sufficient detail, supporting data for any write-downs of cost, extraordinary damage or obsolescence, or any other information that may assist the Board in estimating the fair market value of assessable property.

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### Exempt Software

Pursuant to Revenue and Taxation Code section 995, storage media for computer programs, such as hard drives, shall be valued for property tax purposes as if there were no computer programs on such media other than basic operational programs. In other words, computer programs other than basic operational programs are not subject to property tax. Revenue and Taxation Code section 995.2 defines the terms "basic operational program." All software programs not considered "basic operational programs" may be referred to as "exempt software programs" or "nontaxable programs." It is the assessee's responsibility to identify and remove all exempt software program costs from taxable accounts and report these costs separately to the Board on the Schedule B and Summary Control portions of the Property Statement.

All reported costs of exempt software programs are subject to audit. In support of an assessee's claimed software exemption, Property Tax Rule 152 (f) states, "A person claiming that a single-price sale or lease includes charges for nontaxable programs and services should be required to identify the nontaxable property and services and supply sale prices, costs or other information that will enable the assessor to make an informed judgment concerning the proper value to be ascribed to taxable and nontaxable components of the contract." Other information can include but is not limited to a detailed study from the manufacturer of the equipment. Property Tax Rule 152 (e) also states, in part, that the assessor, lacking evidence to the contrary, may regard the total amount charged as indicative of the value of taxable tangible property.

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### Leased Property

Pursuant to Revenue and Taxation Code section 826, all property owned, claimed, possessed, used, controlled or managed by a state assessee shall be reported on the property statement. This includes property leased from other state assesses, leasing companies, financial institutions, equipment vendors or governmental agencies. Property that is specific to the business normally conducted by the state assessee may be assessed to the assessee even if the lease contract obligates the lessor to pay the property tax.

### Payments to Government Entities for Leased Unitary Property

A statement of payments made to government entities for leased unitary property must be included with the property statement. This will enable staff to properly calculate the value of unitary possessory interests to be included in appropriate value indicators.

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### Statement of Land Changes

State assesses must report all land (other than land associated with intercounty pipelines) that is owned or used (leased) on form BOE-551, Statement of Land Changes (SLC). Specifically, all lands that have been acquired or disposed of (including partial sales or leases) since the prior lien date must be reported on this form. If one state assessee (sublessee) leases property from another state assessee, the sublessee is not required to file a Statement of Land Changes (form BOE-551). However, the sublessee shall include the property on the Wireless Communication Sites (form BOE-516) that is filed with the Property Statement. See *Property Statement Reporting Instructions* for additional details.

Recent actions taken by the Board have confirmed that the Board Members are very concerned about timely filing of SLCs.

The SLC form must be properly completed to ensure that all required information is included. Examples of information to be reported on the SLC form include map identification number (assigned by the company), parcel size, consideration, grantor, grantee, lessor, lessee, options (if the new parcel is leased), and instrument/recording reference numbers and dates.

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### Statement of Authorization

If a state assessee wishes to designate a representative, who is not an owner, partner or officer, to file a property statement or other documents, or to inspect or copy information, documents, or records, including narratives and workpapers relating to the appraisal and the assessment of its property during the period January 1, 2003 through December 31, 2003, a *Statement of Authorization*, form BOE-892, must be filed. The name of the designated representative must be printed in the appropriate box and the statement must be signed by the company's owner, partner, or officer. This form must be filed annually in order for the representative's status to remain current. The form may be accessed on the Board of Equalization Internet site, [www.boe.ca.gov](http://www.boe.ca.gov). See page 4 for directions to the Internet site.

The *Statement of Authorization* is intended to guard against unauthorized access to confidential taxpayer information.

## Extensions

### Filing for an Extension

Requests for an extension to file all or part of the property statement will be granted *only for good cause*. Voluntary special studies are considered part of the property statement.

A request for extension must be filed on form BOE-517-EXT (included in the property statement packet), and must include all pertinent information and be signed by an owner, partner, officer or authorized representative. Extension requests must be filed on or before March 1, (since March 1<sup>st</sup> falls on a Saturday in 2003, this filing period is extended by law to March 3, 2003, the next regular business day). Faxed requests must be sent to (916) 324-2787. If a request is faxed, it must be followed by an original through regular mail.

***An extension is not automatically granted.*** The assessee will be notified by mail whether the extension is granted or denied. If granted, the notice will state the extension date.

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## Penalties

### Penalty Provisions

Section 830 of the Revenue and Taxation Code provides the authority for the Board to impose penalties for failure to file a property statement, or failure to file a timely and/or complete property statement. The following is a summary of the provisions.

If any person who owns, claims, possesses, uses, controls or manages state-assessed property fails to file a property statement, in whole or in part, by March 1, or by that later date to which the filing period is extended, a penalty shall be added to the full value of the assessment of so much of the property as is not timely reported as follows:

1. 10% penalty for any part of the property statement relating to the development of the unit value of operating property.
2. 10% penalty for any part of the property statement that lists or describes specific operating property.
3. 10% penalty for any part of the property statement that lists or describes specific nonunitary property.
4. 25% penalty for fraudulent or willful attempt to evade the tax.

The maximum penalty is limited to \$20,000,000 of full value.

## Available on the Internet

***www.boe.ca.gov***

- Calendar for the Assessment of Public Utilities  
Updated Annually – January 2
- Capitalization Rate Study  
Updated Annually – March
- Property Statement Reporting Forms  
Updated Annually – January 2
- Property Statement Reporting Instructions  
Updated Annually – January 2
- Reproduction Cost New (RCN) Factors  
Updated Annually – February
- Recommendation for Assessment of State-Assessed Property - 2002
- *State Assessee Newsletter*  
Updated Annually - December
- State Assessee – SBE No. Listing
- *State Assessment Manual*, November 2000
- *Unitary Valuation Methods*, March 2000

## Internet Site Directions

1. [www.boe.ca.gov](http://www.boe.ca.gov)
2. [Property Taxes](#)
3. [State-Assessed Properties Program](#)

## Direct Connection

To serve you better, we are providing a direct line to the individual responsible for your specific industry. If you have questions regarding completion of the property statement, please contact the appropriate individual.

Subject	Contact	Telephone Number	Email Address
Electric Generation	Ms. Esther Lai	(916) 324-2969	Esther.Lai@boe.ca.gov
Fiber Optic Right of Way (ROW)	Mr. Dan Sakai	(916) 324-2968	Dan.Sakai@boe.ca.gov
Gas and Electric	Mr. Sang Le	(916) 324-2753	Sang.Le@boe.ca.gov
Gas Transmission	Mr. Steve Hieb	(916) 324-2745	Steve.Hieb@boe.ca.gov
Interexchange Telephone	Mr. Kevin Smith	(916) 324-2973	Kevin.Smith@boe.ca.gov
Local Telephone	Mr. Bing Caragay	(916) 324-2751	Vinecio.Caragay@boe.ca.gov
Pipeline	Mr. Steve Hieb	(916) 324-2745	Steve.Hieb@boe.ca.gov
Railcar Maintenance Facilities	Mr. Steve Hieb	(916) 324-2745	Steve.Hieb@boe.ca.gov
Railroad	Mr. Steve Hieb	(916) 324-2745	Steve.Hieb@boe.ca.gov
Real Property	Mr. Louie Chapman	(916) 324-0032	Louie.Chapman@boe.ca.gov
Statement of Land Changes	Mr. Tom Graybill	(916) 322-2539	Thomas.Graybill@boe.ca.gov
Tangible Property List	Ms. Adrienne Allen	(916) 324-2794	Adrienne.Allen@boe.ca.gov
Wireless Telephone <sup>(1)</sup>	Mr. Kurt Beck	(916) 324-2702	Kurt.Beck@boe.ca.gov
All Other Questions		(916) 322-2323	
FAX		(916) 324-2787	
Internet Site			www.boe.ca.gov

<sup>(1)</sup> Wireless Telephone includes Cellular, Personal Communication Service (PCS), and Radio Common Carrier providers.